

Message Text

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ACTION SS-30

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TO SECSTATE WASHDC IMMEDIATE 9080

C O N F I D E N T I A L SANTIAGO 3614

EXDIS

E.O. 11652: GDS

TAGS: EIND, CI

SUBJECT: ANACONDA

REF: (A) STATE 132221, (B) SANTIAGO 3558

1. SUMMARY: QUIGLEY REPORTS HE AND SAEZ ARE NOW NEGOTIATING ON GLOBAL SETTLEMENT FIGURE AND MEANS OF PAYMENT; ATMOSPHERE GREATLY IMPROVED; AND HE PROBABLY WILL REMAIN SANTIAGO INTO NEXT WEEK. ACTION: REQUEST DEPARTMENT ADVISE WHETHER INSTRUCTIONS REFTEL (A) REMAIN VALID. END SUMMARY

2. QUIGLEY AND BILGORE CAME IN AT MY REQUEST THIS EVENING, JUNE 20, AND REPORTED AS FOLLOWS:

3. TALKS WITH SAEZ BEGAN AFTERNOON JUNE 19 IN PHILIPPI'S OFFICE WITH PHILIPPI AND CODELCO LAWYER LAURA NOVOA ALSO PRESENT. SECOND SESSION TOOK PLACE THIS AFTERNOON FOR TOTAL OF ABOUT SEVEN HOURS WITH SAEZ.

4. ATMOSPHERE GREATLY IMPROVED. SAEZ HAS TAKEN POSITION HE HAS NO INTEREST IN DEDUCTION FOR EXCESS PROFITS, WITH WHICH HE DOES NOT AGREE IN ANY CASE. HE HAS PROPOSED THAT BOTH SIDES WORK TOWARD AGREEMENT ON GLOBAL SETTLEMENT FIGURE, FOR WHICH EACH SIDE CAN SUBSEQUENTLY DEVELOP ITS OWN RATIONALE.

5. QUIGLEY HAS GIVEN SAEZ FIGURE OF \$341 MILLION AS LOWEST HE CAN ACCEPT AS COMPENSATION FOR PROPERTIES AS OF JANUARY 1, 1971,
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EXCLUSIVE OF INTEREST ACCRUALS WHICH WOULD ALSO HAVE TO BE PAID.

THIS FIGURE IS ABOUT \$306 MILLION AFTER DEDUCTION OF TAX LIABILITIES. SAEZ HAS NOT YET TABLED A FIGURE.

6. SAEZ HAS ALSO PROPOSED THAT BOTH SIDES SIMULTANEOUSLY WORK TOWARD AGREEMENT ON FORM OF PAYMENT AS IF GLOBAL SETTLEMENT FIGURE HAD BEEN AGREED UPON. SAEZ HAS PROPOSED PAYMENT OVER FIFTEEN YEARS, DIVIDED INTO INSTRUMENTS PAYABLE OVER FIRST EIGHT YEARS, OVER ENTIRE FIFTEEN YEARS, AND OVER FINAL SEVEN YEARS. QUIGLEY HAS PROPOSED INSTRUMENTS PAYABLE OVER FIRST EIGHT YEARS (LIFE OF CODELCO NOTES FOR 51 PERCENT) AND OVER FINAL SEVEN YEARS. QUIGLEY HAS SAID HE WANTS THE BULK OF THE PAYMENT MADE IN THE FIRST EIGHT YEARS.

7. SAEZ HAS ASKED QUIGLEY TO SPECIFY AMOUNT HE CAN ACCEPT FOR PAYMENT OVER FINAL SEVEN-YEAR PERIOD AND TO PROVIDE HIM WITH DISCOUNT FACTOR QUIGLEY WOULD APPLY TO CALCULATE PRESENT CASH VALUE OF THAT SUM.

8. QUIGLEY WILL REFER LATTER QUESTION TO ANACONDA HEADQUARTERS TONIGHT. ASSUMING QUIGLEY RECEIVES A RESPONSE TOMORROW MORNING, TALKS WITH SAEZ SCHEDULED TO RESUME AT NOON TOMORROW.

9. SAEZ IS ALSO PRESSING HARD ON ANACONDA WILLINGNESS TO INVEST IN CHILE. QUIGLEY HAS SAID COMPANY WOULD CONSIDER CAREFULLY ANY PROPOSALS GOC WISHES PUT FORWARD, BUT HE CANNOT COMMIT ANACONDA TO REINVEST IN CHILE ANY PART OF SETTLEMENT.

10. NEGOTIATIONS NOW DEALING EXCLUSIVELY WITH BOTTOM LINE FIGURE, WHICH QUIGLEY CONSIDERS MUCH MORE BUSINESSLIKE. HE CONTINUES TO HOLD PLANE RESERVATIONS FOR SATURDAY, JUNE 22, BUT BARRING UNFORESEEN DEVELOPMENTS, EXPECTS TO CANCEL THEM AND REMAIN SANTIAGO INTO NEXT WEEK.

11. COMMENT: IN VIEW ABOVE, I DO NOT INTEND, FOR TIME BEING, TO SEEK APPOINTMENT TO CARRY OUT INSTRUCTIONS REFTEL (A), AND DID NOT INFORM QUIGLEY OF MY INSTRUCTIONS. ACTION: IN LIGHT OF ALTERED CHARACTER OF NEGOTIATIONS, DEPARTMENT MAY WISH CONSIDER WHETHER DELIVERY OF AIDE-MEMOIRE EMPHASING RETROACTIVE EXCESS PROFITS ISSUE STILL TIMELY AND USEFUL.
THOMPSON

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